

What is a Shippers' Association?

Definition

The American Institute of Shippers' Associations (AISA) defines shippers' associations as:

"Non-profit membership cooperatives which make domestic or international arrangements for the movement of members' cargo. They are a means by which the small and medium sized shipper, and even the large shipper, can obtain economies of scale without the markups charged by other transportation intermediaries who perform consolidation services in order to obtain volume discounts."

Shippers' associations allow multiple shippers to pool their volumes in order to increase shipment volumes. With a larger shipment volume, the shippers' association can negotiate volume discounts or service contracts with ocean carriers on behalf of its members. Shippers' associations, unlike non-vessel-operating common carriers (NVOCC's), which are regulated under the new shipping act, are able to maintain confidentiality in their contracts.

Services Offered and Benefits of Membership to Shippers' Associations

Because of the new shipping act, many more shippers' associations are being formed as "rate negotiators." Rate negotiating shippers' associations negotiate for volume discounts and may also make transportation arrangements for the shipment. However, "rate negotiating" shippers' associations often do not manage other transportation or logistical arrangements. Another benefit is that since the new shipping act will allow shippers' associations to keep service contracts confidential, shippers wishing to keep such costs concealed will find that membership in a shippers' association is a means of doing so. For more information on the new shipping act and its affect on shippers' associations, go to "[Ocean Shipping Reform Act and Shippers' Associations](#)."

Larger shippers' associations are able to reduce the amount of cargo transshipped to less frequented destinations due to consolidated shipments. Often a small shipment bound for a minor port is shipped along with cargo destined for a major port. Upon arrival at such ports, the cargo is separated and redirected to its final destination. With larger shipments moving to less visited ports consolidated by shipping associations, there will be a reduced need for transshipping. This reduction in transshipment can result in lower costs and less damage, as well as faster transit times.

In large volume rate negotiating for service contracts, shippers' associations can negotiate for improved terms of service, in addition to better rates. This is important when trying to secure space and equipment for busy trade lanes, where ensuring better service can be difficult. Also, shippers' associations, which are able to provide volume movements in multiple trade lanes, as well as movements in both directions of the same trade lane, will

achieve lower rate discounts and better service since carriers will be more eager to negotiate with them. Some associations offer consolidation or "consignment of cargo which is insufficient to fill a shipping container" ([Brodie, 1994](#)), also known as LCL or LTL, "less than container load." LCL is a useful service for smaller shippers unable to fill an ocean shipping container with their cargo. Some shippers' associations offer marine cargo insurance, as well.

Possible Disadvantages of Membership in a Shippers' Association

There are considerations that should be taken into account by some shippers before joining a shippers' association. As a member, shippers' can be required to guarantee a certain volume of their shipments in order to receive the benefits of the reduced rates obtained by the service contract between the association and the ocean carrier. This can be a disadvantage to larger shippers able to receive comparable or better rates outside of the shippers' association. In this case, most likely, the large shipper will be able to pull its freight from the association--the only consequence being a loss of membership with the association. However, members are often not required to sign such contracts.

It has also been reported that in the past, shipping lines, especially ocean liner conferences, avoid dealing with shippers' associations by creating false barriers, such as requiring a list of membership within the contract. However, historically independent carriers tend to be less hesitant to deal with shippers' associations than conference carriers. Congress has specifically prohibited conferences and carriers from discriminating against shippers' associations; nonetheless, it is hard to prove such discrimination and, therefore, hard to penalize. If this does become an issue, shippers' associations maintain the option of using a freight forwarder to receive good rates.

As a way around working with associations, shipping lines may approach individual shippers within associations to offer them confidential deals and lower rates. This can result in a shipper or shippers, often the ones providing the majority of freight, leaving the association. This may make the shippers' association less able to meet the minimum volume amounts negotiated in the service contract or make it difficult for the association to negotiate lower rates with carriers. To prevent this from happening, shippers may benefit by joining an association with members having similar volumes.

Many shippers of specific products express concern about not wanting to join shippers' associations with shippers of the same or similar product to ensure that they are not "helping the competition" receive reduced rates for export. As a result, some shippers' associations may limit membership to shippers of commodities not currently represented by their members. This is up to the membership policy agreed upon by the individual shippers' association.

Legalities of Shippers' Associations

Shippers' associations are recognized by the law as a separate legal entity in international trade; however, they are not bonded, regulated, or licensed under existing regulations or

the new Ocean Shipping Reform Act. As a separate legal entity, shippers' associations can enter into and utilize volume service contracts, are entitled to utilize tariff rates, and may negotiate time/volume and loyalty contracts. Shippers' associations are not common carriers. They serve members, not the general public, and are, therefore, not required to file tariffs or publish rates. This means that shippers' associations do not have exposure to antitrust laws, so they are able to maintain confidentiality of sensitive competitive business information. Shipper's associations are legally shippers and are entitled to all the rights and privileges of other shippers. The Federal Maritime Commission and maritime law makers have maintained that the activities of shippers' associations will not be regulated. Also, membership of shippers' associations is not limited by law, which means that even tariffed and bonded NVOCC's may belong. The number of members, which is also not regulated, may range from two to thousands. Membership guidelines are developed by the individual shippers' associations.